

COUNTY OF YORK



COUNTY ADMINISTRATOR
Daniel M. Stuck

VIRGINIA

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October 12, 2000

The Board of Supervisors
County of York, Virginia

Dear Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report of the County of York for the fiscal year ended June 30, 2000, as required by the *Code of Virginia*. This report has been prepared by the Department of Financial and Management Services in accordance with the standards of financial reporting prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board and the Auditor of Public Accounts of the Commonwealth of Virginia. The independent certified public accounting firm of Witt, Mares & Company, PLC has audited the financial statements and their opinion is contained within this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds and account groups of the County; and that all disclosures necessary to enable the reader to gain maximum understanding of the County's financial activity have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal officials. The financial section includes the auditor's reports on the financial statements, schedules and compliance, the general purpose statements, the combining and individual fund and account group financial statements and schedules and supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The County government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of Federal awards, findings and questioned costs, and auditor's reports on internal control and compliance with applicable laws and regulations are included in the financial section of this report.

The County, as a separate and distinct political entity, provides a wide range of municipal services as contemplated by statute. Major functions include general government services, judicial services, public safety, environmental and development services, financial and management services, education and educational services, human services, general services, and community services. In addition, the County operates and maintains a solid waste disposal program and water and sewer utility systems service geographically dispersed areas of the jurisdiction.

The County has included in its financial statements two discretely presented component units. Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The component units are the York County Public Schools and the Industrial Development Authority of York County.

ECONOMIC CONDITION AND OUTLOOK

York County continues to enjoy a relatively strong local economy. During the year, population grew to more than 57,900 and both the residential and commercial tax bases continued to expand. While growth has increased demand for government services, it has also provided additional resources. These additional resources, coupled with the existing financial base, and the conservative fiscal policy of the Board of Supervisors and County management, enabled the continued provision of the same high level of government service that has come to be expected of York County. As the debt levels, revenue base, fiscal reserves and bond rating indicate, the County has a solid financial foundation.

MAJOR INITIATIVES

During the formulation of the fiscal year 2000 budget, the Board of Supervisors and County Administrator directed that the governmental emphasis be focused on maintaining a high level of support for the operation and construction of the schools, continued maintenance and extension of municipal water and sewer service, and the capital improvements program of the County. Accordingly, this direction was translated into a number of specific projects to which major portions of the available resources were allocated.

Operations

Planning

The Comprehensive Plan, titled *Charting the Course to 2015*, provides a road map for the County for the next 15 years. After an extensive review of the existing plan, involving citizens and civic and business groups, the Board of Supervisors adopted a revised plan on October 6, 1999. Elements discussed in the plan include encouraging quality commercial growth, support of the County's School division, purchase of conservation easements and environmentally sensitive lands, development of new recreational facilities, beautification of major entrances and commercial corridors including placing existing overhead utilities underground, construction of bicycle and pedestrian improvements leveraged with local funding, continued modernization and improvement of the County's emergency response and management capabilities, and upgrading the technology available to County students and citizens.

Stormwater Maintenance Program

A stormwater maintenance program was developed to address ongoing drainage maintenance within County easements. The stormwater capital improvements program has also been implemented. During fiscal year 2000, stormwater projects included Penniman Road, Marlbank Cove and Waller Mill/Mershon. Fiscal year 2001 projects include the areas of Country Club Acres, Lakeside Forest and Tabb Middle School. Funding for these projects is generated from a portion of the restaurant food tax (meal tax). A Countywide Drainage Committee has been established to address the County's Stormwater Program.

Industrial Development Authority

In fiscal year 2000, the Industrial Development Authority (IDA) was successful in attracting a number of new businesses to the County. Marina Power and Lighting, a company that designs and constructs high quality weatherproof electrical equipment for the marina industry is currently constructing buildings that will total over 25,000 square feet in Busch Industrial Park. Colonial Tailors Chalk relocated to York County from New York and is leasing 12,000 square feet of space in Ewell Industrial Park. Victory Industrial Park was the scene of a lot of activity during the Fiscal Year 2000. The IDA assisted Taylored Printing in the acquisition of a building located there. These three businesses represent over \$200,000 in capital improvements and 50 jobs. In July of 2000, Wal-Mart Stores, Inc. submitted plans to construct two supercenters in the County. One of the stores will be located in the Kiln Creek area and the second one will be in the new Route 199 corridor in Lightfoot. Each store will be over 200,000 square feet.

Capital Improvements Program

The County's six-year capital improvements program indicates that a major emphasis will continue to be placed on expansion of water and sewer facilities, school facilities, maintenance and expansion of buildings and improvement of stormwater facilities. Growth in the County's population is projected to continue an upward trend. Along with this growth, the County can anticipate an increased demand for government services.

County Facilities

The County is conducting a major renovation project within its facilities.

- On March 15, 2000, a dedication ceremony was held for York Hall (formerly the Circuit Courthouse, located at the corner of Main and Ballard Streets). This building houses a new meeting room for the Board of Supervisors, as well as other boards and commissions, and will provide space for community activities.
- Renovation of the Finance Building (formerly the District Court Building) began in November 1999. Once completed, the building will house the Department of Financial and Management Services and the offices of the Treasurer and Commissioner of the Revenue. This project is scheduled for completion by the end of calendar year 2000.

- The Administration Building will be renovated and will house the County Administrator's office, the County Attorney's office, the Registrar, the administrative offices of Community Services, and the Industrial Development Authority. This project is scheduled for completion by the spring of calendar year 2001.
- An addition to the Environmental & Development Services Building will be constructed during fiscal year 2001. These offices will house the Engineering Division of the Sewer Utility section of this Department.

Tabb Library

On October 9, 1999, a dedication ceremony was held for the new Tabb Library. The new building is approximately 31,870 square feet and provides the general public with a state-of-the-art environment for learning. Total project budget was \$5.2 million at completion. A multi-departmental management team, from the Library, Department of General Services, Environmental and Development Services, Financial and Management Services, Public Safety, County Attorney's office and County Administrator's office, administered this project.

Yorktown Library

The Yorktown Library will undergo extensive renovations to include new carpeting, lighting, painting, and reconfiguration of book stacks and new circulation and reference desks to meet the customer needs. The project will take approximately three months with the reopening of the Library scheduled for early January 2001.

Yorktown Riverfront Revitalization

The County is committed to the revitalization of the Riverfront area in Historic Yorktown. Phase I - Riverwalk included installation of new sewer, water and drainage systems, new road pavement, undergrounding of utilities and installation of walkways and landscaping. The walkway stretches from Read Street west to the sewer pump station near Mathews Street.

The construction of Phase I has been substantially completed. Visitors will be able to read plaques along the walkway describing the waterfront's role as a peace time port and Revolutionary War battle ground. Phase II - Wharf will include the restoration and adaptation of the 60+ year old wharf warehouse/ferry terminal building into a facility housing displays and information related to the history of the waterfront and the various types of sailing ships, steamers, ferries and other vessels that have frequented the Port of Yorktown over the course of its rich history.

Water and Sewer Projects

A schedule of major water and sewer construction projects in the County's Capital Improvements Program is below.

<u>Project</u>	<u>Type</u>	<u>Start Date</u>	<u>Target Completion Date</u>	<u>Properties</u>	<u>Estimated Cost In Thousands</u>
Claxton Creek	Sewer	FY1999	FY2001	121	\$ 1,180
Piney Point	Sewer	FY1999	FY2001	189	\$ 1,850
Barcroft Drive	Sewer	FY2000	FY2001	81	\$ 935
Dare Heights	Sewer	FY2001	FY2001	75	\$ 1,178
Tide Mill Road	Sewer	FY2001	FY2001	52	\$ 820
Skimino Hills	Sewer	FY2002	FY2002	165	\$ 2,475
Falcon/Loblolly Drive	Sewer	FY2003	FY2004	110	\$ 1,815
Back Creek Road	Sewer	FY2003	FY2003	54	\$ 918
Marlbank Area	Sewer	FY2003	FY2003	197	\$ 3,250
Allens Mill Road	Sewer	FY2004	FY2005	60	\$ 661
Darby/Firby Area	Sewer	FY2005	FY2005	50	\$ 575
Queens Lake Area	Sewer	FY2005	FY2006	575	\$ 8,050
Waterview Road	Sewer	FY2007	FY2008	55	\$ 1,035
Wildey Road	Sewer	FY2007	FY2008	80	\$ 1,610
Dare	Water & Sewer	FY1995	FY2002	630	\$ 9,833
Patrick's Creek	Water & Sewer	FY1997	FY2001	63	\$ 1,835
Schenck Estates	Water & Sewer	FY2001	FY2006	76	\$ 2,135
Burts Road	Water & Sewer	FY2005	FY2005	30	\$ 514

The County issued revenue bonds on December 1, 1999 for \$9.4 million to support the Utilities Strategic Capital Plan relating to sewer projects. These bonds will be repaid from the Sewer Utility Fund's revenues.

Schools

Tabb Middle School Renovations

A complex renovation project at the Tabb Middle School began in the summer of 1999. The project will take two years to complete. In the first year, a 29,000 square foot addition housing ten classrooms, three science labs, four non-core classrooms, a new gym and a media center were added to the school. In June 2000, work began to renovate the existing kitchen, cafeteria and gym area.

Seaford Elementary School Gymnasium

An 11,000 square foot gymnasium is to be constructed at the Seaford Elementary School. This facility will be used as a physical education space, as well as for County recreation programs.

Regional and Joint Cooperation

Regional Jail

Along with James City County and the cities of Williamsburg and Poquoson, the County is a member of the Virginia Peninsula Regional Jail Authority. The Authority was created in 1993 for the purpose of constructing and operating a single jail for the participating localities. The project was developed to relieve the severely overcrowded conditions at existing facilities in the County and other jurisdictions. With the opening of this facility in June 1997, the County-owned facility was demolished and converted to additional parking for activities in the Yorktown historic area.

Juvenile Jail Facility

A regional coalition was created involving 17 counties and 2 cities, of which the County is a voting member, to secure a juvenile detention facility. A 48-bed facility was opened in December 1997 to meet the demand for secure juvenile detention placements among the member jurisdictions.

Other Projects

The County will continue to participate in a number of entities intended to address regional activities such as transportation, economic development, and planning. The number of studies and planning projects done regionally will likely increase over time as localities within Hampton Roads recognize their shared future.

In addition, the County is participating in a regional raw water study group to have a new reservoir constructed. This reservoir should meet the water needs for the region well into the future. The County is also working with the City of Newport News to establish a long-term water supply agreement for the upper portion of the County.

FINANCIAL INFORMATION

The County's accounting records for general governmental operations are maintained on the modified accrual basis. This essentially involves the recording of revenues when they become measurable and available and the recording of expenditures when the goods and/or services are received or related fund liability is incurred. Accounting records for the County's enterprise (utility systems) and internal service (motor vehicle pool) funds are maintained on the accrual basis.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are a system of methods, practices and procedures designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against the loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived therefrom; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's system of internal accounting control adequately safeguards assets and provides reasonable assurance for the proper recording of financial

transactions. Budgetary controls are maintained to ensure compliance with the budget approved by the Board of Supervisors. The approved budget is used as a tool to monitor general government expenditures within the limits adopted by the Board. Encumbrances are used to reserve a portion of the applicable appropriation for purchase orders, contracts and commitments of the County. Open encumbrances are reported as reservations of fund balances at year-end.

GENERAL GOVERNMENTAL OPERATIONS

Revenues and Other Financing Sources

The General Fund is the accounting and financial entity within which all general government operations of the County are reflected. Revenues and other financing sources for the General Fund totaled \$73.6 million for the fiscal year ended June 30, 2000. This represents an increase of 3.2% or \$2.3 million more than the comparable figure for the preceding fiscal year. The following is a summary of the various financing sources within the General Fund compared to fiscal year 1999 figures:

Table 1
General Fund Revenues and Other Financing Sources
By Source (in thousands)

	Fiscal 2000 Amount	Fiscal 1999 Amount	Actual Change from Fiscal Year 1999	Percentage Change from Fiscal Year 1999
General property taxes	\$ 47,093	\$ 44,250	\$ 2,843	6.4%
Other local taxes	15,906	14,858	1,048	7.1%
Use of money and property	1,874	1,458	416	28.5%
Other local revenue	2,076	2,411	(335)	-13.9%
Other governments	4,340	4,305	35	0.8%
Proceeds from capital leases	-	492	(492)	-100.0%
Transfers in	2,325	3,569	(1,244)	-34.9%
Totals	<u>\$ 73,614</u>	<u>\$ 71,343</u>	<u>\$ 2,271</u>	3.2%

The increase in general property taxes is attributable to an increase in personal property and real property taxes, which is associated with normal growth of residential and commercial development which added to the assessment base. Personal property taxes and real property taxes increased by 9.9% or \$1.3 million and 5.0% or \$1.5 million, respectively.

Other local taxes such as Sales and Use Taxes, Business License Taxes, Hotel and Motel Room Tax, Restaurant Food Taxes, Emergency Telephone Service Taxes (E911) and motor vehicle licenses show strong growth resulting in an increase of approximately \$1 million or 7.1%. Use of money and property increased approximately 28.5% due to the increase in investment income and the reclassification of the receipts from the rental of towers throughout the County. In previous years, the tower rental was classified as Other Local Revenue. Other local revenue decreased approximately 14% due to the receipt in fiscal year 1999 of a health insurance rebate, a one-time revenue, and the reclassification of tower rental receipts.

At June 30, 2000, the School Operating Fund balance totaling \$1.3 million was transferred to the General Fund, which represented a decrease from June 30, 1999 of \$1.1 million in the Transfers In. The June 30, 2000 balance reflects excess revenues over expenditures attributed to the additional impact aid funding from the Federal government totaling approximately \$804,000, which was used to support current operations creating a local fund balance and miscellaneous unspent funds totaling approximately \$478,000. At the request of the School Board, the County Board of Supervisors, in fiscal year 2001, appropriated approximately \$804,000 to support a future renovation project at Bruton High School, \$384,000 for instructional technology initiatives and \$94,000 for teacher training related to the State Standards of Learning.

Expenditures and Other Financing Uses

The following table presents the expenditures for the major functional areas of County Government for fiscal year 2000 as compared to similar figures for the preceding year:

Table 2
General Fund Expenditures and Other Financing Uses
By Major Functional Category (in thousands)

	Fiscal 2000 <u>Amount</u>	Fiscal 1999 <u>Amount</u>	Actual Change from Fiscal Year 1999	Percentage Change from Fiscal Year 1999
General Government	\$ 1,229	\$ 1,248	\$ (19)	-1.5%
Judicial Services	1,533	1,450	83	5.7%
Public Safety	12,696	11,933	763	6.4%
Environmental & Developmental Services	1,809	1,822	(13)	-0.7%
Financial & Management Services	4,696	4,303	393	9.1%
Education & Educational Services	1,521	861	660	76.7%
Human Services	955	935	20	2.1%
General Services	3,650	3,454	196	5.7%
Community Services	1,818	1,743	75	4.3%
Non-Departmental/Debt Service	804	470	334	71.1%
Capital projects	935	1,793	(858)	-47.9%
Transfers out	38,995	37,714	1,281	3.4%
Totals	<u>\$ 70,641</u>	<u>\$ 67,726</u>	<u>\$ 2,915</u>	4.3%

As is reflected above, General Fund expenditures increased 4.3% from the previous fiscal year. Significant changes for fiscal year 2000 include the following:

- All employees were granted a .8% market adjustment in their salaries as of July 1, 1999.
- New positions were added to support various County activities:
 - A dispatcher position was added in the Communications Division (E911 Operations) of the Department of Fire and Life Safety.
 - Twenty-three positions (five full-time and eighteen part-time) were funded in the York County Library for the operation of the new Tabb Library.
 - A recreation supervisor position was added to Parks and Recreation in the Department of Community Services in support of the Senior Center Programs.
- Approximately one fourth of the increase in Public Safety is due to the cost of housing prisoners in the Regional and Juvenile Jail facilities.
- Financial and Management Services's increase is caused by the additional allocation of support for tourism to the Williamsburg Area Conference and Visitors Bureau to support the publication of a visitors guide and the purchase of a new real estate assessment system.
- The 76.7% increase in Education & Educational Services is attributed to the opening of the Tabb Library.
- Non-Departmental/Debt Service costs for fiscal year 2000 increased due to the purchase of a new time and attendance system for payroll processing and the purchase of materials for the "opening day collection" for the Tabb Library.

PROPRIETARY FUNDS

The County currently operates six Enterprise Funds and one Internal Service Fund. The Enterprise Funds provide the means to account for the operations of the County-operated utilities, the two sanitary districts, and the County solid waste disposal activity. The Internal Service Fund is used to account for the operation of the centralized motor vehicle pool.

The Enterprise Funds in the aggregate had an operating income during the fiscal period of \$1,307,313 with a net income of \$3,147,975. The Internal Service Fund reported an operating loss of \$9,470. The retained earnings for all of the Enterprise Funds and Internal Service Fund increased by \$4,157,498 to \$28,154,135 at the end of the fiscal year. Given the size and nature of the County's proprietary funds, these retained earnings are prudent and adequate.

DEBT ADMINISTRATION

The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are useful indicators of the County's debt position. The data as of June 30, 2000, as compared to the close of the previous fiscal year are as follows:

<u>Year</u>	<u>Population</u> <u>(1)</u>	<u>Assessed</u> <u>value of</u> <u>property</u> <u>(in thousands)</u>	<u>Net</u> <u>bonded</u> <u>debt</u> <u>(in thousands)</u>	<u>Ratio of net</u> <u>bonded</u> <u>debt to</u> <u>assessed</u> <u>value</u>	<u>Net</u> <u>bonded</u> <u>debt per</u> <u>capita</u>
2000	57,900	\$ 4,372,016	\$ 45,427	0.0104	\$ 785
1999	56,600	\$ 4,032,196	\$ 48,155	0.0119	\$ 851

Source (1): County of York - Department of Financial and Management Services

The decrease in net bonded debt of \$2.7 million is the net of the retirement of approximately \$3.2 million of principal and the use of approximately \$532,000 in moneys, which were available in the debt service funds for the retirement of debt.

The County continues to maintain an excellent bond rating for local governmental jurisdictions of its type and size. The rating assigned by Standard & Poor's Corporation is AA and Moody's is Aa2.

CAPITAL PROJECTS FUND

The Capital Projects Fund (Capital Fund) is used by the County to account for the financing sources used to acquire and construct major capital projects for the general government. A major source of funding for the capital projects is transfers from the General Fund. For fiscal year 2000, \$2.8 million was transferred to the Capital Fund from the General Fund and approximately \$300,000 from the Sewer Utility Fund. During the year, capital project expenditures of \$6.9 million included the following:

- Phase I of the revitalization of the Yorktown waterfront (Riverwalk).
- Construction of the Tabb Library.
- Completion of the renovations to York Hall that houses a new meeting room for the Board of Supervisors, as well as other boards and commissions.
- Renovations to the Finance and Administration Buildings.
- Construction of breakwaters for shoreline stabilization at the Yorktown Beach.
- Lighting of the Kiln Creek Park soccer and baseball fields.
- Construction of a soccer field at the Dare Elementary School.

CASH MANAGEMENT

The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporarily idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by government securities as required by the *Code of Virginia*. Income from this cash management program was in excess of \$3.3 million for fiscal year 2000.

RISK MANAGEMENT

During fiscal year 2000, the County continued its long-standing practice of maintaining third party coverage for basic property, casualty, and liability risk. To enhance the attractiveness of the County in the competitive bid process for this coverage, continued attention is given to loss management. Through the use of appropriate deductibles and the services of a professional risk management consultant, costs associated with this risk management program have been stabilized at an acceptably low level. The County and the School Division have contracted with a third party to administer a high-deductible workers' compensation program with risk of up to \$200,000 for each occurrence subject to a \$600,000 annual aggregate on the combined claims.

INDEPENDENT AUDIT

The *Code of Virginia* and the Commonwealth's Auditor of Public Accounts require an annual audit of the books of account, financial records, and the transactions of all administrative departments, agencies and activities of the County by an independent certified public accountant selected by the Board of Supervisors. This requirement has been complied with and the auditor's report has been included in the Financial Section of this report.

In addition to meeting the requirements set forth in state statutes and regulations, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's reports, which relate specifically to the single audit, are included in the Financial Section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of York for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of York has received a Certificate of Achievement for the last fourteen consecutive years (fiscal years ended 1986 through 1999). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for review.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the staff of the Department of Financial and Management Services, especially the Division of Budget and Financial Reporting, and the Office of the Treasurer, the School Division and the York/Poquoson Department of Social Services. I would like to express my appreciation to all of the members of these staffs who assisted and contributed to its preparation. I would also like to thank the members of the Board of Supervisors whom, both individually and collectively, provided the guidance and support essential to the conduct of the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel M. Stuck", with a stylized flourish at the end.

Daniel M. Stuck
County Administrator